

## Schedule 2 TOTAL STATE SPENDING PLAN

This Schedule is included for informational purposes to show in one place the expenditures of all funds which are accounted for by the State.

A basic premise in a consolidation such as this is that the State is the financial unit and individual funds are subsidiary units to the State. This is similar to financial units in the private sector in which diversified commercial corporations with several subsidiaries report their operation on a consolidated basis—but is a contrast to traditional governmental accounting, which has held that the individual funds are the financial units and should not be consolidated with other funds or types of funds. A total consolidation presents both theoretical and practical problems because of the individual nature of each fund. In essence, each fund is a separate fiscal and legal entity that operates under the specific legal provisions that created it. Examples of problems which may arise from an unqualified consolidation are: (1) funds are accounted for in a different manner, (2) duplication of expenditures result, (3) expenditures from non-state funds are included, and (4) expenditures are included for quasi-state operations such as Workers' Compensation and for payment of retirement benefits for other governmental units.

In order to minimize misinterpretations, this Schedule is displayed in two parts. Part A summarizes those expenditures from funds traditionally included in budget totals; Part B summarizes expenditures from the other funds which are collectively identified as nongovernmental cost funds. Schedule 2, in either part, does not include reimbursements received from the public or other levels of government, as these are deducted from State expenditures.

### TOTAL STATE SPENDING PLAN—PART A GOVERNMENTAL COST, SELECTED BOND FUNDS, AND FEDERAL FUNDS

As stated above, Part A summarizes expenditures from funds which are traditionally included as part of State expenditure summaries in the Governor's Budget and other State financial reports. The major portion of the expenditures shown in Part A is for the General Fund and the various special funds, which are commonly referred to as "governmental cost funds". This term is used because these funds are used to account for moneys which are derived from general and special taxes, licenses, fees, or other revenue sources to provide financing for State activities which are for the general purposes of State government.

The selected bond funds are included in Part A because of the historical legislative interest in showing these expenditures in budget totals. It should be noted that there is a duplication in showing these expenditure amounts from bond proceeds because the expenditures are included both when bond proceeds are spent and when debt service is paid.

The Federal funds have also been included in Part A because of increasing interest in the level of the State's expenditure of Federal funds. The detail of expenditures by department for the General Fund, special funds, selected bond funds and Federal funds is shown in Schedule 9.

Funds	1995-96*	1996-97*	1997-98*
<b>GOVERNMENTAL COST FUNDS</b>			
GENERAL FUND .....	45,393,091	48,443,086	50,300,984
SPECIAL FUNDS .....	12,540,570	13,592,688	14,343,265
*TOTAL FUND CLASSIFICATION GOVERNMENTAL COST FUNDS.....	<u>\$57,933,661</u>	<u>\$62,035,774</u>	<u>\$64,644,249</u>
<b>SELECTED BOND FUNDS</b>			
SELECTED BOND FUNDS.....	<u>\$1,936,694</u>	<u>\$2,204,233</u>	<u>\$1,993,547</u>
*TOTAL FUND CLASSIFICATION SELECTED BOND FUNDS .....	<u>\$1,936,694</u>	<u>\$2,204,233</u>	<u>\$1,993,547</u>
<b>FEDERAL FUNDS</b>			
FEDERAL FUNDS.....	<u>\$30,339,648</u>	<u>\$32,011,257</u>	<u>\$32,616,305</u>
*TOTAL FUND CLASSIFICATION FEDERAL FUNDS .....	<u>\$30,339,648</u>	<u>\$32,011,257</u>	<u>\$32,616,305</u>
<b>TOTAL.....</b>	<u>\$122,244,225</u>	<u>\$129,034,766</u>	<u>\$133,934,458</u>

### Total State Spending Plan—Part B Nongovernmental Cost Funds

Nongovernmental cost funds are used to account for moneys which are derived from sources other than general or special taxes, licenses, fees, or other State revenues. Although Federal funds and bond funds are classified as nongovernmental costs funds, they are included in Part A for reasons cited therein. The nongovernmental cost funds shown in Part B are segregated into the following classifications.

#### PUBLIC SERVICE ENTERPRISE FUNDS

Public Service Enterprise Funds are used to account for the transactions of self-supporting enterprises which render services for a charge primarily to the general public.

Activities which are accounted through Public Service Enterprise Funds include toll bridges, harbor facilities, disability insurance, college housing, and veterans farm and home loan financing. Bond funds and sinking funds related to a public service enterprise are included in this classification.

Public Service Enterprise Funds differ from Working Capital and Revolving Funds in that, in the latter, fees for services rendered are largely from other State agencies or local governments.

It should be noted that expenditures shown below from the Compensation Insurance Fund do not include benefit payments to State employees because the State is self-funded. The expenditures shown are benefits paid from funding provided through insurance premiums and therefore are not true State costs.

#### WORKING CAPITAL AND REVOLVING FUNDS

Working Capital and Revolving Funds are used to account for the internal service activities rendered by a State agency to other State agencies or to local governments. Activities which are accounted through Working Capital and Revolving Funds include

centralized purchasing for stores, consolidated data center services, printing, architectural services, manufacturing, surplus money investment, payroll disbursement, automotive management, and building operations.

Working Capital and Revolving Funds differ from the Public Service Enterprise Funds, which render services primarily to the general public. To the extent that services are provided to other State agencies, expenditures shown in Working Capital and Revolving Funds are duplicative of expenditures shown in the agencies.

## BOND FUNDS

Bond Funds are used to account for the receipt and disbursement of bond proceeds. They do not account for bond retirement since the liability created by the sale of bonds is not a liability of these funds. Bonds are retired and the interest obligations thereon are paid through the provisions specified in the bond act.

Bond Funds related to a public service enterprise are included in the Public Service Enterprise Fund classification.

## RETIREMENT FUNDS

Retirement Funds are used to account for employer and member contributions received by various retirement systems, the investment of these moneys, annuity payments, refunds to members, and other receipts and disbursements. The amounts shown below reflect both administrative costs and benefits paid to annuitants. For the Public Employees' Retirement Fund and the Teachers' Retirement Fund, funding includes non-state sources and expenditures therefrom are not true State costs. Also, costs funded from amounts transferred into these funds from other State agencies are duplicative of expenditures shown in the agencies.

## OTHER NONGOVERNMENTAL COST FUNDS

For selected programs, the State budget has traditionally included funding provided by county funds and university funds for informational purposes. Because of inclusion in the budget, these expenditures are shown in Schedule 2. The balance of funds shown in this classification are for Trust and Agency Funds which are used to account for moneys and properties that are received from other than Federal sources and which are held and disbursed from the State Treasury by the State as trustee or custodian.

The following provides detail for the significant funds and amounts which comprise the various categories of Nongovernmental Cost Funds:

Funds	1995-96* Amount	1996-97* Amount	1997-98* Amount
<b>PUBLIC SERVICE ENTERPRISE FUNDS</b>			
Housing Finance Fund, California.....	12,481	13,348	13,347
Water Resources Development Bond Fund.....	316,942	329,980	247,782
Central Valley Water Project Const Fund.....	274,534	148,915	86,030
Central Valley Water Project Revenue Fd.....	205,662	219,436	298,095
Expo & State Fair Enterprise Fund, Cal .....	17,206	17,302	17,234
Compensation Insurance Fund .....	1,165,847	1,148,000	1,204,000
Employment Training Fund .....	120,589	85,252	85,154
Harbors and Watercraft Revolving Fund .....	43,025	51,448	73,569
Univ Continuing Education Revenue Ed, St.....	92,723	93,474	93,474
Univ Dormitory Revenue Fd, Calif State .....	82,132	67,346	67,346
University Parking Revenue Fund, State.....	27,065	32,789	32,789
Unemployment Compensation Disability Fd.....	1,798,200	1,758,379	1,732,471
Veterans Farm & Home Building Fund 1,943.....	305,835	292,736	277,959
Others .....	13,837	20,448	19,699
<b>*TOTAL PUBLIC SERVICE ENTERPRISE FUNDS .....</b>	<b>\$4,476,078</b>	<b>\$4,278,853</b>	<b>\$4,248,949</b>
<b>WORKING CAPITAL AND REVOLVING FUNDS</b>			
Protective Services Fund.....	\$28,032	\$28,201	\$26,149
Architecture Revolving Fund.....	20,578	21,516	18,070
Health & Welfare Agency Data Cent Rev Fd .....	160,798	289,374	207,580
Mobilehome Manufactured Home Revolv Fd.....	13,139	13,200	13,241
Public Buildings Construction Fund .....	616,522	389,289	523,287
Service Revolving Fund.....	376,647	379,931	386,774
Stephen P Teale Data Center Revolv Fd .....	73,032	79,944	85,537
Consumer Affairs Fund .....	973	25,028	25,027
Others .....	531	7,061	4,325
<b>*TOTAL WORKING CAPITAL AND REVOLVING FUNDS .....</b>	<b>\$1,290,252</b>	<b>\$1,233,544</b>	<b>\$1,289,990</b>
<b>BOND FUNDS--OTHER</b>			
School Building Aid Fund, State.....	\$24,370	\$27,939	\$15,730
<b>*TOTAL BOND FUNDS--OTHER.....</b>	<b>\$24,370</b>	<b>\$27,939</b>	<b>\$15,730</b>
<b>RETIREMENT FUNDS</b>			
Judges Retirement Fund.....	\$71,887	\$74,236	\$76,600
Public Employees' Retirement Fund .....	3,979,676	4,339,505	4,691,724
Teachers Retirement Fund .....	2,896,242	3,254,458	3,461,116
Others .....	6,000	6,993	6,687
<b>*TOTAL RETIREMENT FUNDS .....</b>	<b>\$6,953,805</b>	<b>\$7,675,192</b>	<b>\$8,236,127</b>
<b>OTHER NONGOVERNMENTAL COST FUNDS</b>			
Targeted Case Management Claiming Fund .....	\$13,333	\$13,333	\$13,333
Education Technology Trust Fund.....	-	35,000	-

<b>Funds</b>	<b>1995-96* Amount</b>	<b>1996-97* Amount</b>	<b>1997-98* Amount</b>
Emerg Serv & Supplemental Payments Fund .....	556,195	340,095	113
Lottery Education Fund, Calif State .....	818,820	689,816	690,296
Flexelect Benefit Fund .....	12,818	13,428	14,071
Public Employees' Health Care Fund .....	336,824	347,339	365,324
Medi-Cal Inpatient Pymt Adjustment Fund.....	966,042	1,422,467	1,304,759
University Lottery Education Fund, Cal S .....	30,135	29,100	30,000
Collins-Dugan CA Conservation Corps Fund.....	21,968	-	-
School Employees Fund .....	36,256	37,339	37,313
Inmate Welfare Fund.....	36,493	41,079	41,612
Forest Resources Improvement Fund .....	14,918	14,715	14,478
Trial Court Trust Fund.....	154,127	155,500	1,424,244
Special Deposit Fund .....	21,329	14,558	14,692
Guaranteed Loan Reserve Fund, State.....	150,117	4,898	1,357
Local Property Tax Revenues .....	10,000,995	10,152,648	10,494,878
Toll Bridge Funds, Consolidated .....	55,394	125,680	160,282
Higher Education Fees and Income- UC/CC .....	999,164	1,059,586	1,073,068
University Funds--Unclassified.....	4,276,782	4,378,186	4,530,290
Other Unclassified Funds.....	734,265	638,239	630,477
Others .....	53,742	54,968	48,974
	<u>\$19,289,717</u>	<u>\$19,567,974</u>	<u>\$20,889,561</u>
*TOTAL OTHER NONGOVERNMENTAL COST FUNDS .....			
TOTAL .....	<u>\$32,034,222</u>	<u>\$32,783,502</u>	<u>\$34,680,357</u>

**TOTAL STATE SPENDING PLAN—PART C  
REIMBURSEMENTS**

<b>Funds</b>	<b>1995-96* Amount</b>	<b>1996-97* Amount</b>	<b>1997-98* Amount</b>
REIMBURSEMENTS.....	3,687,833	4,047,036	4,096,681

\* Dollars in thousands

# IMPLEMENTATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Implementation of Chapter 1286, Statutes of 1984, requires the State to conform its financial management system to Generally Accepted Accounting Principles (GAAP) to the extent that the Department of Finance deems it to be in the best interest of the State.

GAAP represents uniform minimum standards and guidelines for financial accounting and reporting. The goal of GAAP is to standardize the accounting and financial reporting of organizations regardless of jurisdictional legal provisions and customs. The purpose of "Governmental GAAP" is to provide a uniform set of rules so the presentation of governmental financial reports for taxpayers, bond rating companies, legislators, and other readers are consistent from year to year, as well as comparable between governmental entities.

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for activities and transactions of state and local governmental entities. The State of California currently is a dues-paying member of the GASB organization and provides input for the various issues being studied by GASB.

An effort is currently underway within the Department of Finance to ensure that the budget and financial statements of the State are more understandable and are presented in a fair and consistent manner through the application of Generally Accepted Accounting Principles.

The Department of Finance has taken the following actions to implement GAAP:

1. A work group was established to review the changes required by GAAP and to establish priorities and task assignments.
2. In 1986-87, the Governor's Budget and Budget Act changed the classification of student fees in the California State University System to revenue rather than reimbursements.
3. In 1986-87, the Governor's Budget and Budget Act changed the classification of State Hospital Medical Care receipts to reimbursements rather than revenue.
4. In 1987-88, the Governor's Budget displayed the interest and redemption costs of general obligation bonds in the relevant program area for each bond.
5. The Office of State Audits and Evaluation (OSAE) of the Department of Finance has done work on rewriting the sections of the State Administrative Manual covering proprietary funds to bring them into conformance with GAAP.
6. The "Fund Manual" for California has been rewritten to bring it into conformance with GAAP.
7. The 1989-90, Governor's Budget provided for the treatment of General Fund encumbrances as a reservation of fund balance rather than expenditures. This treatment is consistent with the GAAP standard that encumbrances are obligations for which goods and services have not been received and which therefore should not be shown as expenditures.

The State's fiscal system is highly complex with many interrelationships between budgeting and accounting. Consequently, some of the changes in accounting that are necessary to conform to GAAP impact the budget system and/or the Governor's Budget presentations. These interrelationships will result in the GAAP changes being accomplished over a number of years.

The following two charts illustrate the effect of conversion to GAAP fund classifications:

Schedule 3A shows the "Total State Spending Plan" data shown in Schedule 2 rearranged into the GAAP classifications.

Schedule 3B uses 1997-98 budget totals to show California's current fund structure compared to recommended GAAP classifications.

## SCHEDULE 3A TOTAL STATE SPENDING PLAN BY GAAP FUND CLASSIFICATION (In Thousands)

GAAP Fund Structure	1995-96	1996-97	1997-98
<i>Governmental Funds</i>			
General Funds.....	45,393,091	48,443,086	50,300,984
Special Revenue Funds.....	31,625,614	34,257,322	36,948,409
Capital Project Funds.....	1,904,962	1,925,510	1,720,324
Total Governmental Funds .....	\$78,923,667	\$84,625,918	\$88,969,717
<i>Proprietary Funds</i>			
Enterprise Funds .....	\$3,268,997	\$2,922,986	\$3,055,067
Internal Service Funds .....	656,691	824,320	753,011
Total Proprietary Funds .....	\$3,925,688	\$3,747,306	\$3,808,078
<i>Fiduciary Funds</i>			
Retirement Funds .....	\$6,953,591	\$7,674,445	\$8,235,748
Trust and Agency Funds--Other .....	8,604,074	8,863,143	8,399,839
Trust and Agency Funds--Federal.....	3,695,920	3,565,765	3,437,715
Total Fiduciary Funds .....	\$19,253,585	\$20,103,353	\$20,073,302
<i>Funds Outside State Treasury</i>			
Other.....	\$20,141,285	\$20,558,189	\$21,083,361
Total Funds Outside State Treasury .....	\$20,141,285	\$20,558,189	\$21,083,361
TOTAL SPENDING, ALL FUNDS .....	\$122,244,225	\$129,034,766	\$133,934,458

**SCHEDULE 3B**  
**COMPARISON OF CALIFORNIA CURRENT**  
**FUND STRUCTURE AND RECOMMENDED GAAP FUND STRUCTURE**  
**USING 1997-98 BUDGET TOTALS**  
(In Thousands)

CURRENT FUND STRUCTURE	FUND STRUCTURE BASED ON GAAP CLASSIFICATION								Funds Outside State Treasury	Totals
	Governmental Funds				Proprietary Funds		Fiduciary Funds			
	General Fund	Special Revenue Funds	Capital Project Funds	Total Governmental Funds	Enterprise Funds	Internal Service Funds	Retirement Funds	Trust and Agency Funds		
Governmental Cost Funds										
General Funds .....	50,300,984	-	-	50,300,984	-	-	-	-	-	50,300,984
General Fund Special Accounts .....	-	992,040	-	992,040	51,119	21,944	-	29,099	-	1,094,202
Transportation Funds .....	-	3,993,877	-	3,993,877	-	-	-	3,862,026	-	7,855,903
Feeder Funds .....	-	-	-	-	-	-	-	30,053	-	30,053
Other Governmental Cost Funds .....	-	5,336,611	1,979	5,338,590	-	-	-	24,517	-	5,363,107
Total Governmental Cost Funds .....	\$50,300,984	\$10,322,528	\$1,979	\$60,625,491	\$51,119	\$21,944	-	\$3,945,695	-	\$64,644,249
Selected Bond Funds .....	-	\$193,660	\$1,696,820	\$1,890,480	-	-	-	\$102,547	\$520	\$1,993,547
Total Governmental Cost Funds and Selected Bond Funds .....	\$50,300,984	\$10,516,188	\$1,698,799	\$62,515,971	\$51,119	\$21,944	-	\$4,048,242	\$520	\$66,637,796
Nongovernmental Cost Funds										
Public Service Enterprise Funds .....	-	-	3,455	3,455	2,427,869	-	-	1,817,625	-	4,248,949
Working Capital and Revolving Funds .....	-	13,241	18,070	31,311	532,758	731,067	-	-5,146	-	1,289,990
Bond Funds--Other .....	-	-	-	-	-	-	-	15,730	-	15,730
Trust and Agency Funds:										
Retirement Funds .....	-	-	-	-	-	-	8,235,748	379	-	8,236,127
Trust and Agency Funds--Federal .....	-	24,986,554	-	24,986,554	-	-	-	3,437,715	4,192,036	32,616,305
Trust and Agency Funds--Other .....	-	1,432,426	-	1,432,426	43,321	-	-	2,523,009	-	3,998,756
Other Nongovernmental Cost Funds .....	-	-	-	-	-	-	-	-	16,890,805	16,890,805
Total Nongovernmental Cost Funds .....	-	\$26,432,221	\$21,525	\$26,453,746	\$3,003,948	\$731,067	\$8,235,748	\$7,789,312	\$21,082,841	\$67,296,662
TOTAL SPENDING, ALL FUNDS .....	\$50,300,984	\$36,948,409	\$1,720,324	\$88,969,717	\$3,055,067	\$753,011	\$8,235,748	\$11,837,554	\$21,083,361	\$133,934,458